Research Synopsis

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Title of The Thesis:

" Relationship between Stock Market Indicators and Economic Growth: Special reference to the Indian Stock Market and Indian economy"

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Submitted by

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"Relationship between Stock Market Indicators and Economic Growth: Special reference to the Indian stock Market and Indian economy". (1991-2021)

Introduction

India is a one of the largest emerging economy in the world has experienced the fastest growth of the economy and rapid development of its stock market over the last 30 years

History of stock market

The first organized stock exchange in India was started in 1875 at Bombay and it is stated to be the oldest in Asia after that. In 1894 the Ahmedabad Stock Exchange, 1908 The Calcutta stock exchange, and 1920 the madras stock exchange was started; at present there are 24 stock exchanges in the country, 21 of them being regional ones with allotted areas. One other set up after 1991 reforms is the National Stock Exchange (NSE) today in India Bombay stock exchange (BSE) and National Stock exchange (NSE) are important markets in which all big companies are listed.

Stock market and economic growth

A stock exchange is a reliable barometer to measure the economic condition of a country, every major change in country and economy is reflected in the prices of shares. The rise or fall in the share prices indicates the boom or recession cycle of the economy. Stock exchange is also known as a pulse of economy or economic mirror which reflects the economic conditions of a country.

Statement of research problem

When we think of the stock market, I always wonder if the stock market can really be an indicator of economic growth, and if so, how appropriate is it? Because the market is heavily influenced by speculation and some other factors which is not contributing to the Development so this study trying to solve following questions,

What are the factors which affect the Stock Market?

What is the relationship between Stock Market and Economic Growth?

What are the factors which are helpful in economic growth?

How does speculation affect the stock market?

What is the role of listed companies in the stock market on economic growth?

This study mainly focuses on the impact of stock market development on economic growth and how speculation in the stock market affects economic growth.

Review of literature

There is a large amount of research on the financial market in that stock market also studied how the stock market affects economic growth. Some of them identified a positive relationship between financial development and economic growth while others did not, studies on this topic tried to prove the existence of any relationship between financial development and economic growth,

There are two schools of thought on the relationship between financial development and economic growth based on two different views.

The first view is that there is a positive relationship between financial development and economic growth was pioneered by Schumpeter (1911). He was the earliest economist to highlight the circumstances in which financial services can help in promoting economic growth. Schumpeter (1911) was the first to propose that financial intermediaries provide services that promote economic development. His argument was that financial development provides sufficient funds to firms to make the best possible use out of it thereby contributing to economic development. Also he found that financial institutions actively encouraged innovation and for financial systems to be efficient there must be a constant flow of innovations. According to Schumpeter, financial institutions actively encouraged innovation in this way and promoted future growth by determining and funding productive investments.

Goldsmith (1955) also carried out a systematic analysis and found a sound positive correlation between financial development and the level of real per capita GDP.

The second view belongs to Joan Robinson (1952) who regarded financial development as a relatively unimportant factor in the growth process.

A number of studies have established a positive relationship between economic growth and financial development but they don't specify stock market development.

Need and importance of study

At present the stock market is an integral part of every economy and the growth of investment in the market is increasing. The number of people investing in the market is also increasing. The stock market is an important component of every country's economy there has been a lot of study on the stock market so far but if you look at the scope and importance of the market is increasing

And it is important to know how the market affects the economy.

Objectives

1. To find out the reasons which affect stock market indexes.
2. Study the large amounts of fluctuations in nifty and sensex affect the Economic growth.
3. To find out how the Speculation affects the stock market.
4. To identify major factors which are affecting the Indian stock market.
5. Study of new start up and stand up companies IPO which are useful in Indian economic growth.
6. To find out the relationship between stock market indicators and economic growth.

Hypotheses

1. There are many Noneconomic factors which affects stock market
2. Speculation in the stock market negatively affects economic growth.
3. Stock market doesn't directly affect economic growth
4. Startup companies helpful for Indian economic growth

Research methodology

In this research both qualitative as well as quantitative techniques will be used because there is a need for subjective and objective research,

This study is exclusively based on secondary data. Secondary data will be collected from the economic survey RBI bulletin, Annual Report Of stock market and finance ministry, other requisite reports from private publications, etc.

The study shall be employing multiple-regression models. Different econometric tests will be applied.

Limitations of study

1. The study is purely based on secondary data; hence the limitations of secondary data do apply.
2. The study is limited to the data available with Indian stock market(BSE and NSE)
3. This study mostly focuses on speculation in the stock market.
4. Period of study is only 30 years.

Proposed Chapter Layout

The study is divided into following chapters for easy compilation and understanding**.**

1. INTRODUCTION
2. STOCK MARKET : Definition, Meaning and its significances
3. ECONOMIC GROWTH: Definition, Meaning and its significances
4. IMPACT OF STOCK MARKET ON INDIAN ECONOMY
5. EVENT ANALYSIS OF STOCK MARKET IN INDIA
6. RELATIONSHIP BETWEEN STOCK MARKET AND ECONOMIC GROWTH
7. SPECULATION IN STOCK MARKET
8. SUMMARY, FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

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